

Message Text

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PAGE 01 STATE 276747

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 SS-15 SSO-00 /035 R

DRAFTED BY EB/OT/TA:DGRIMMER:JVM
APPROVED BY EB:JULIUS KATZ, ACTING
EB/OT:CWSCHMIDT

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O P 220008Z NOV 75
FM SECSTATE WASHDC
TO USMISSION OECD PARIS IMMEDIATE
INFO AMEMBASSY STOCKHOLM PRIORITY

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STADIS//////////

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: BRIEFING PAPER FOR ASSISTANT SECRETARY
ENDERS' VISIT TO STOCKHOLM: EC-CANADIAN ECONOMIC AGREEMENT

FOR ASSISTANT SECRETARY ENDERS

(DRAFTED:EB/OT/TA:DGRIMMER

CLEARANCES:TREASURY:COUELETTE; COMMERCE:MPRUIETT; STR:ELAPP;
EUR/RPE:RBRESLER; EUR/CAN:DBLAKEMORE; EB/OT:CWSCHMIDT)

BACKGROUND:

RECENT EC-CANADIAN RELATIONS HAVE BEEN DOMINATED BY A
CANADIAN PROPOSAL TO ESTABLISH A "CONTRACTUAL LINK"
WITH THE EC. THE CANADIAN INITIATIVE, WHICH ORIGINATES
FROM EARLY 1974, REPRESENTS AN IMPORTANT ELEMENT IN THE
CANADIAN POLICY TO DIVERSIFY ITS FOREIGN RELATIONS.

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ORIGINALLY CANADA PROPOSED A "CONTRACTUAL LINK" WHICH

WOULD INTER ALIA, ..."PROVIDE FOR CONSULTATIONS ... WHICH MIGHT CONTRIBUTE TO THE DEVELOPMENT AND STRENGTHENING OF ECONOMIC AND COMMERCIAL RELATIONS BETWEEN THE TWO COUNTRIES.

SINCE THE EC AND CANADA CURRENTLY HOLD SEMI-ANNUAL CONSULTATIONS AT THE SENIOR OFFICIAL LEVEL PURSUANT TO AN INFORMAL UNDERSTANDING, IT APPEARS THAT CANADA IS SEEKING A MORE FORMAL CONSULTATIVE MECHANISM. THE EUROPEANS GENERALLY SYMPATHIZE WITH THE CANADIAN DESIRE TO DEVELOP CLOSER RELATIONS WITH THE EC, ALTHOUGH SOME (NOTABLY THE UK AND FRANCE) HAVE RESERVATIONS ABOUT ANY AGREEMENT WHICH WOULD MERELY ECHO THE PROVISIONS OF THE GATT. ANY AGREEMENT WITH CANADA WOULD SET THE PRECEDENT FOR EC AGREEMENTS WITH OTHER INDUSTRIALIZED COUNTRIES.

CURRENT EC AND CANADIAN THINKING IS REPORTEDLY GRAVITATING TOWARD A NON-PREFERENTIAL "FRAMEWORK" AGREEMENT WHICH WOULD ENVISAGE COOPERATIVE EFFORTS IN TECHNICAL/INDUSTRIAL AREAS. SUCH AN AGREEMENT WOULD INCORPORATE INSTITUTIONALIZED CONSULTATIONS AND A LIST OF SUBJECTS ON WHICH COOPERATION WOULD TAKE PLACE, SUCH AS ENERGY RESEARCH, FORESTRY, MINERAL EXPLOITATION AND MINING. BOTH PARTIES HAVE STATED THAT ANY AGREEMENT WOULD HAVE TO BE CONSISTENT WITH THE GATT, OECD AND OTHER INTERNATIONAL TREATIES. NOW THAT ENGLAND AND FRANCE HAVE APPARENTLY DROPPED THEIR COMPLAINT ABOUT THE APPROPRIATENESS OF THE EC COMMISSION'S TALKS WITH THE CANADIANS, FORMAL NEGOTIATIONS ON AN AGREEMENT MAY START SOON AFTER THE EC COMMISSION REPORTS TO THE COUNCIL IN EARLY DECEMBER.

IT IS CLEAR THAT CANADA IS SEEKING TO LESSEN ITS ECONOMIC INTERDEPENDENCE WITH THE US. HOWEVER, IT IS QUESTIONABLE WHAT EFFECT -- IF ANY -- AN AGREEMENT WOULD HAVE ON CURRENT PATTERNS OF TRADE AND INVESTMENT. SINCE CANADA IS RESPONDING TO POLITICAL PRESSURES TO DIVERSIFY ITS FOREIGN RELATIONS, IT MAY BE THAT THE GOC WOULD BE SATISFIED WITH A HIGHLY VISIBLE BUT LARGELY LIMITED OFFICIAL USE

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POLITICAL AGREEMENT.

ONE POSSIBLE AREA FOR GENERAL AGREEMENT, HOWEVER, IS THE DEVELOPMENT OF CANADIAN RAW MATERIALS. CANADA IS AN IMPORTANT SOURCE OF EC RAW MATERIALS, AND THE EC IS INTERESTED IN ASSURANCES OF ACCESS TO THEM, ALTHOUGH CANADA HAS SHOWN SOME RELUCTANCE TO DO THIS. OF COURSE, THERE IS THE POTENTIAL FOR LONG-TERM DELIVERY CONTRACTS

IN THE PRIVATE SECTOR IN PAYMENT FOR EUROPEAN CAPITAL
AND TECHNOLOGY TO DEVELOP A SECONDARY PROCESSING INDUSTRY
FOR CANADIAN RAW MATERIALS.

THIS WOULD FURTHER THE CANADIAN POLICY OF INCREASING
CANADIAN-BASED PROCESSING, BUT IT WOULD BE UNLIKELY
THAT A GOVERNMENTAL EC-CANADIAN AGREEMENT COULD DO
MORE THAN GIVE GENERAL ENCOURAGEMENT.

US POSITION:

THE US HAS NO POLITICAL OBJECTIONS TO THE EC-CANADIAN
DISCUSSIONS, BUT WE ARE CONCERNED ABOUT THE NATURE OF
THE ECONOMIC CONTENT OF ANY AGREEMENT WHICH MIGHT BE
CONCLUDED. WE HAVE DOUBTS ABOUT THE WISDOM OF AN
AGREEMENT WHICH WOULD ENCOURAGE BILATERALISM AT A TIME
WHEN SO MANY OF OUR PROBLEMS ARE MULTILATERAL
IN NATURE AND WE ARE CONCERNED ABOUT THE IMPLICATIONS
AN AGREEMENT MIGHT HAVE FOR EXISTING INTERNATIONAL
OBLIGATIONS IN THE GATT AND OECD AND FOR NEW AREAS
OF INTERNATIONAL CONCERN SUCH AS ACCESS OF SUPPLY. KISSINGER

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Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BRIEFING MATERIALS, VISITS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 NOV 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE276747
Document Source: CORE
Document Unique ID: 00
Drafter: DGRIMMER:JVM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750406-0907
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751120/aaaaarcg.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2003 by ShawDG>; APPROVED <30 DEC 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRIEFING PAPER FOR ASSISTANT SECRETARY ENDERS' VISIT TO STOCKHOLM: EC-CANADIAN ECONOMIC AGREEMENT
TAGS: ETRD, SW, (ENDERS, THOMAS O)
To: OECD PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006